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DEC 23 1980

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

DEC 23 1980

H. STUART CUNNINGHAM
At _____ o'clock
CLERK

BALLY MANUFACTURING CORPORATION,)
Plaintiff,) Civil Action
vs.) No. 80-C-5048
D. GOTTLIEB & CO., WILLIAMS)
ELECTRONICS, INC.,)
ROCKWELL INTERNATIONAL CORPORATION,)
and GAME PLAN, INCORPORATED,)
Defendants.)

MEMORANDUM OF PLAINTIFF IN OPPOSITION
TO DEFENDANT ROCKWELL INTERNATIONAL CORPORATION'S
MOTION TO DISMISS

This is a patent infringement action which was commenced by Bally Manufacturing Corporation ("Bally") on September 19, 1980, against three pinball manufacturers, D. Gottlieb & Co. ("Gottlieb"), Williams Electronics, Inc. ("Williams"), and Game Plan, Incorporated ("Game Plan"), and against Rockwell International Corporation (Rockwell) which supplies solid-state electronic pinball systems to Gottlieb. The patent in suit, which issued on April 15, 1980, is directed to solid-state microprocessor-controlled pinball games having a certain type of electronic control and display system.

Rockwell was charged with "contributing to and inducing the infringement of the patent in suit" because it has provided the entire solid-state electronic pinball systems to Gottlieb

(and other manufacturers) for use in the manufacture of pinball machines which directly infringe the patent, and because such electronic pinball systems are (1) a material part of the patented invention, (2) not a staple article of commerce, nor suitable for any substantial non-infringing use, (3) the result of joint design, production, sales and service efforts of both Rockwell and Gottlieb, and (4) the subject of continuing joint programs to manufacture and supply infringing pinball games to the trade.

On November 10, 1980, Rockwell moved to dismiss the complaint. In its memorandum in support of its Motion to Dismiss Rockwell asserts that it cannot be as a matter of law either a contributory infringer or an inducer under the patent in suit for similar grounds as set forth in a Motion to Dismiss filed by Rockwell in Bally Manufacturing Corporation v. D. Gottlieb & Co. et al, Civil Action No. 78-C-2246 (filed June 6, 1978), which is also presently before this Court.

Plaintiff points out that Rockwell's memorandum filed in the 2246 case relating to Rockwell's Motion to Dismiss dealt only with the sale by Rockwell to Gottlieb of a single type of solid-state electronic pinball system (hereinafter referred to as System I) for use in Gottlieb pinball machines. Subsequent to its Motion to Dismiss in the 2246 case, Rockwell began supplying to Gottlieb a different solid-state electronic pinball system (hereinafter referred to as System II). Rockwell

contends that since the issuance of the patent in this suit its production has been limited to System II pinball systems.

Therefore, plaintiff limits its discussion here to the sale of System II pinball electronics to Gottlieb.

Although Plaintiff disagrees with Rockwell's characterization of the issues raised in the Motion to Dismiss in the 2246 case, the law applicable thereto, and the conclusions which should be drawn from the evidence submitted to the Court in response to that motion, these points were discussed in various documents filed by Plaintiff in response to that motion in the 2246 case and for the sake of brevity will not be repeated here.

The Court should deny Rockwell's motion to dismiss because:

1. The standard that should be applied to this motion is that of a motion for summary judgment under Rule 56 F.R.C.P. and since there are genuine issues of material fact, the Court must deny Rockwell's motion.
2. Since a central issue in the determination of Rockwell's liability for inducement of infringement is their intent to induce infringement this is not a proper subject for a motion for summary judgment.
3. The evidence shows that there are genuine issues of material fact for trial as to Rockwell's transactions with Gottlieb relating to Rockwell's inducement to infringe.
4. The evidence shows that there are genuine issues of material fact for trial as to Rockwell's acts which constitute contributory infringement of the Bally Patent.

1. The standard that should be applied to this motion is that of Summary Judgment under Rule 56 F.R.C.P. and since there are genuine issues of material fact, the Court must deny Rockwell's motion.

Although Rockwell has brought this motion as a "Motion to Dismiss" under Rule 12 F.R.C.P., since the motion involves matters outside of the pleadings, according to Rule 12(c) "the motion shall be treated as one for summary judgment and disposed of as provided in Rule 56." Considering the fact that Rockwell has submitted affidavits and deposition transcripts as evidence of factual matters, and in the first paragraph of its Motion to Dismiss dated November 10, 1980 admits that it is relying on "deposition testimony and other matters outside the pleadings", there can be no question that the motion does involve matters outside the pleadings and must be treated under Rule 56.

Rule 56(c) F.R.C.P. provides that a summary judgment shall be entered:

"... if the pleadings, depositions, answers to interrogatories, and admissions on file together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." (emphasis supplied)

The portion of Rule 56(c) that is underscored above is manifestly the most important part of the rule -- indeed, the very heart of the rule. This means that, should plaintiff show that there is any "genuine issue as to any material fact", then the motion for summary judgment must be denied.

Further, the party moving for a summary judgment has "the burden of showing the absence of a genuine issue of any material fact, and for these purposes the material...lodged must be viewed in the light most favorable to the opposing party." Adickes v. S. H. Kress & Co., 398 U.S. 144, 157, 90 S. Ct. 1598, 1608, (1970), Fitzke v. Shappell 468 F. 2d 1072, 1077 (6th Cir. 1972).

Considering these standards, it will be unquestionably shown that there are indeed genuine issues concerning a number of material facts and therefore the motion must be denied.

2. Since a central issue in the determination of Rockwell's liability for inducement of infringement is their intent to induce infringement this is not a proper subject for a motion for summary judgment.

Inducement of infringement is governed by 35 U.S.C. § 271(b) which provides:

"(b) Whoever actively induces infringement of a patent shall be liable as an infringer."

It is well recognized that active inducement under § 271 requires a showing of intent. Norberg Mfg. Co. v. Jackson Vibrator, Inc. 153 U.S.P.Q. 777 (N.D. Ill. 1967).

It is also well recognized by the authorities, including the Court of Appeals of this Circuit which stated that "cases in which the underlying issue is one of motivation, intent, or some other subjective fact are particularly inappropriate for summary judgment." Conrad v. Delta Airlines, Inc., 494 F. 2d 914, 918 (7th Cir. 1974), 6 Moore's Federal

Practice §56.17 (41-1).

Based on the foregoing rules, the issue of intent to induce infringement in the determination of Rockwell's liability is one which should be tried by the Court and therefore is not a proper subject for a motion for summary judgment. Rockwell's motion should be denied on this ground alone.

3. The evidence shows that there are genuine issues of material fact for trial as to Rockwell's transactions with Gottlieb relating to Rockwell's inducement to infringe.

The Section 271(b) prohibition on active inducement of infringement covers a wide variety of acts. Thus, as stated in Fromberg, Inc. v. Thornhill, 315 F. 2d 407, 411, 137 U.S.P.Q. 84, 87 (5th Cir. 1963),

"... the term is as broad as the range of actions by which one in fact causes, or urges, or encourages, or aids another to infringe a patent." See also Norberg Mfg. Co. v. Jackson Vibrators, Inc. 153 U.S.P.Q. 777, 785 (N.D. Ill. 1967).

The only evidence that Rockwell has submitted along with this motion is deposition testimony relating to its involvement in the original design of the Gottlieb pinball machines which was initially completed prior to the issuance of the patent in suit. Gottlieb submitted this evidence to support its allegation that since it was involved only to a limited degree in the design of the alleged infringing pinball machines, it could not be liable for inducement.

This is refuted by the following evidence. A Rockwell engineer, John Footh, was responsible for the overall system

evaluation and printed circuit board layout of the System II electronics for the Gottlieb pinball machine. (Footh transcript, Volume VI, page 33, pertinent pages of the Footh transcript taken in the 2246 case are attached hereto as Exhibit A). The system evaluation included examining the load requirements, timing, and various other aspects of interconnecting the circuit boards. The purpose of this evaluation was to develop the System II concept and in this regard Footh communicated with Gottlieb employees, Tom DeFotis, Alan Edwall and Wayne Neyes. (Footh transcript, Volume VII, pages 4-6, Exhibit A). Footh also worked on the design of the clock logic circuit for the System II pinball electronics, (Footh transcript, Volume VI, page 86, Exhibit A). Unquestionably this testimony shows that Rockwell was extensively involved in the design of the allegedly infringing pinball machines.

Although this evidence is relevant in determining Rockwell's liability as an inducer, there are undoubtedly other additional facts supporting Rockwell's liability for inducement. For example, the detailed facts relating to the relationship between Rockwell and Gottlieb after the patent in suit issued and concerning the sale of System II pinball electronics are certainly material issues of fact relevant to inducement about which Rockwell has submitted absolutely no evidence. For this reason alone Rockwell's motion must be denied.

It is noted that the affidavits and portions of transcript cited by Rockwell in its Motion to Dismiss in the 2246

case are all related to the sale by Rockwell of System I pinball electronics, whereas this motion (as Rockwell contends in its memorandum) concerns the sale of System II. Since, as pointed out above, the burden is on Rockwell as the moving party to establish the absence of a genuine issue of any material fact, and Rockwell has failed to submit any evidence concerning the detailed relationship between Rockwell and Gottlieb relevant to the sale of System II pinball electronics after the patent issued, the motion must be denied.

However, there is deposition testimony taken in the 2246 case which supports inducement by showing some aspects of the continuing relationship between Rockwell and Gottlieb involving the sale of the System II pinball electronics after the patent in suit issued. Specifically, in the 2246 case, Rockwell engineer John Footh testified at his deposition taken after the patent in this suit issued that as of that date Rockwell was not only producing System II pinball electronics for Gottlieb, (Footh transcript, volume VII, page 12, Exhibit A), but that he was also the responsible engineer at Rockwell for an ongoing follow-on program dealing with the Rockwell System II pinball electronics sold to Gottlieb. This follow-on program was one of several such successive programs at Rockwell for providing continuing engineering support for Gottlieb. (Footh transcript, volume VII, page 42-44, Exhibit A). Also, as of that date Footh was involved with Gottlieb people answering questions and discussing problems

related to field reports and working on improvements to the electronic pinball system. (Footh transcript, volume VII, pages 13-14, Exhibit A). This pattern of continuing joint activity in manufacturing and supplying infringing pinball games to the trade is unquestionably sufficient to at least establish that there is a material issue of fact for trial concerning Rockwell's liability for inducing infringement of the patent in suit.

Significantly, Rockwell even filed a patent application in the United States (and in five other countries) on the accused pinball machine employing the Rockwell electronics and as manufactured by Gottlieb. In particular, patent application Serial No. 846,247, a copy of which is attached hereto as Exhibit B, was filed in the United States Patent and Trademark Office on October 28, 1977 with Gordon Smith, who is a Rockwell employee, as inventor, and with Rockwell as the assignee of the entire interest in the patent. The '247 patent application is directed to pinball machines containing both System I and System II pinball control and display systems. If Rockwell, itself, is seeking a patent directed to the entire pinball machine sold by Gottlieb and accused of infringing the patent in suit, this shows that Rockwell was jointly working with Gottlieb on the pinball development and thus was at least inducing Gottlieb to use its System II pinball electronics in pinball machines manufactured and sold by Gottlieb. Certainly it is sufficient to establish that there are material questions of fact relating to inducement.

4. The evidence shows that there are genuine issues of material fact for trial as to Rockwell's acts which constitute contributory infringement of the Bally Patent.

The statutory law governing contributory infringement is covered in Section 271 of Title 35, United States Code, which provides in pertinent part:

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer."

The first two elements for establishing Rockwell's liability as a contributory infringer are not at issue. Rockwell has admitted that it sells the System II pinball electronics to Gottlieb for use in their pinball machines which are alleged in the complaint to infringe the patent in suit.

Also there can be no question about Rockwell's knowledge of the patent in suit because they knew of the application by at least the beginning of 1980. (Bracha transcript, p. 523, attached hereto as Exhibit C). Also, counsel for Bally informed Rockwells counsel about the issuance of the Bracha Patent shortly after it issued on April 15, 1980.

Thus, this leaves only the issues of whether the System II pinball electronics sold by Rockwell to Gottlieb for use in Gottlieb pinball machines are a material part of the patented invention, and whether they are a staple article of commerce

suitable for substantial noninfringing uses.

Turning first to the issue of materiality, the System II pinball electronics are unquestionably a material part of the invention claimed in the patent in suit. Rockwell does not provide to Gottlieb merely an "off-the-shelf hardware device" or component, but rather an entire set of pinball control and display printed circuit boards which are specifically designed to be assembled into and cabled to a Gottlieb pinball machine. It is the entire electronic system for the game. These sets of printed circuit boards include control boards, digital display boards, and master driver boards. (Footh transcript, VII, pages 6 and 7, Exhibit A). Attached hereto as Exhibit D is a copy of an instruction manual for a Gottlieb Spiderman pinball game which contains the Rockwell control and display boards. This is being submitted so that the Court can actually see what Rockwell is providing to Gottlieb, and how ludicrous Rockwell's assertion really is that the electronics are not a material part of the invention.

The location of the Rockwell printed circuit boards in the pinball machine is shown on page 20 of the manual with the specific construction of the Rockwell control board shown on pages 27-29, the Rockwell Master Driver board on pages 30-31, and the Rockwell display boards on pages 32 and 33. The manual also describes how these boards are designed specifically to be cabled to and mounted inside the Gottlieb pinball machine.

These Rockwell boards do not only control the lights and sense the switches of the game, but they also actually contain

display panels which are assembled into the game for displaying players' scores, match numbers, game credits, and high score to date of the pinball machine. The master driver board also contains a group of switches mounted on the board called "operation adjustables" which are switches (labeled SW1-SW4 on the Control Board shown on page 27 of Spiderman manual) designed to allow a pinball operator to change various bookkeeping, testing and other features on the pinball game to adapt it to his particular location. These other features can include, for example, whether the game has 3 or 5 balls per play, or what score is necessary for a free game.

An examination of this manual unquestionably shows that the control and display boards provided by Rockwell are a material part of the invention of the patent in suit which is directed to a solid-state pinball machine having a specific type of control and display circuitry.

Importantly, Rockwell, which is the moving party in this motion to dismiss has failed to submit any evidence to show that the control and display system that it sells to Gottlieb for use in their pinball machines is not a material part of the invention. (In fact, Rockwell has not even submitted evidence of the construction of the control and display system so the court could make a determination of what was actually sold by Rockwell to see if it was a material part of the invention.) As pointed out above, since Rockwell is the moving party on this motion and has failed to submit any evidence to support its contentions, the motion must be denied.

Turning now to the issue of substantial noninfringing uses (not "suitable" as stated by Rockwell), as discussed in detail above, an examination of the Spiderman pinball manual shows that the set of Rockwell display and control boards are designed specifically for use in a Gottlieb pinball machine and not merely as general purpose devices. Since the patent in suit is directed to pinball machines and the Rockwell control and display boards are designed specifically for use in pinball machines and not as general purpose devices, they are unquestionably not a staple article of commerce suitable of substantial noninfringing uses.

In further support of this conclusion is Rockwell's own characterization of the testimony of John Footh, a Rockwell employee, and Thomas DeFotis, a Gottlieb employee. Specifically, on page 5 of its memorandum in support of its motion Rockwell characterized this testimony as showing that Gottlieb did all of the software programming of the System II pinball control and display system, that Rockwell was not aware of the details of the programming, and that Gottlieb completed the hardware design prior to Rockwell's initial involvement in the program. While Plaintiff does not totally agree with this characterization of the testimony, it does establish that Gottlieb, a pinball manufacturer, was heavily involved in the design of the System II display and control boards. Since the pinball manufacturer, itself, was heavily involved in the design of these display and control boards which were designed specifically for use in pinball machines alleged to infringe the patent in suit, then they certainly cannot be merely

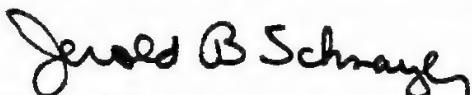
"staple articles of commerce suitable for substantial noninfringing use".

Finally, Rockwell as the moving party on this motion has submitted no evidence that in any way supports its assertion that the control and display boards which it sells to Gottlieb are staple articles of commerce having substantial noninfringing uses. In fact, as pointed out above, the only evidence that Rockwell has submitted, the deposition testimony of its own employee and an employee of Gottlieb refutes its contention.

Conclusion

Plaintiff has shown, as discussed in detail above, that there are indeed many material issues of fact for trial on Rockwell's liability for contributing to and inducing the infringement of the patent in suit. Therefore, Rockwell's motion to dismiss should be denied.

Respectfully submitted,



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